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ABSTRACT

This article examines education reform in America, focusing on charter schools. It outlines the current issues in the educational system and details some of the problems that have been identified in recent years, such as lagging test scores. Some of the other difficulties that schools face include discipline problems, wasteful federal financial-aid programs, and record levels of student debt. The essay claims that more spending does not lead to better quality in education and provides a synopsis of where the money goes. It profiles some educational strategies that have enjoyed some success, such as contract management, charter schools, and school vouchers or scholarships. The text reports that school choice results in increased achievement and that it enjoys wide public support. Some of the other school reforms suggested in the document include the Chicago School Reform Model and the implementation of high standards. It examines the Clinton Administration's record in school reform and offers criticisms of each of these initiatives. It also reviews congressional approaches to education and outlines legislative efforts to establish school choice and charter schools, children's literacy, national tests, and block grants to local districts. Finally, the article outlines goals for reform, such as fostering school autonomy. (Contains 31 references.) (RJM)

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EDUCATION

Empowering Parents, Teachers, and Principals

ED 438 630

Nina H. Shokraii and John S. Barry *1*

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THE ISSUES

Fifteen years after *A Nation at Risk*, the seminal report on the sorry state of America's schools that initiated the education reform movement, schools and students are slowly showing signs of improvement, at least in the early grades. The reason: because elements of competition and free enterprise finally are taking root in the schools--not because of increased spending on education programs. *2* The best sign of progress is the growing popularity of charter schools and school choice programs which, together, are improving the education of America's children and challenging public schools with a healthy dose of competition.

Oblivious to the root causes of this progress, the education establishment continues to see more money, more bureaucracy, more regulation, and more federal intrusion as the solution to the nation's educational difficulties. Candidates need to emphasize that America's education crisis cannot be solved by central government decree. Schools will not be improved by letting bureaucrats run them. The crisis can be solved only by taking power away from centralized bureaucracies and empowering parents, teachers, and principals to take charge of their own schools.

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Nowhere is this more needed than in America's inner cities. *Education Week* recently reported that only 40 percent of the 4th and 8th graders in urban schools had scored at a basic level in reading, math, and science on tests given by the National Assessment of Educational Progress (NAEP). *3* The NAEP also shows that the gap in test scores between racial groups continues to grow. The performance of 17-year-old black and Hispanic students is equal to that of 13-year-old whites in every subject. *4*

Education reform for the next century should place parents, teachers, and principals in charge of education. It should devolve power and dollars from the federal government to the states with the goal of sending at least 95 percent of the funding directly to the classrooms. At the state level, power and autonomy must shift from state and local education agencies to principals, teachers, and parents. States should reconfigure their funding formulas by strapping the per-pupil amount of education to the child's back--a model offered by Arizona Superintendent of Education Lisa G. Keegan. If a student transfers from one school to another, the funding follows the student. Once the money and student reach a school, the principal must have complete authority to teach that child and must be held accountable for the results.

Many of the same principles apply to federal higher education policy. While the United States has the world's best system of higher education, there is always room for improvement. If federal lawmakers do not fundamentally reform the current system of student financial aid, American families and students will be threatened with ever-increasing tuition costs and ever-mounting debt. The federal government should leave admission, tuition, and curriculum decisions to individual schools and give families the flexibility to save their money to pay for college instead of keeping them trapped in the federal student loan program.

Specifically, candidates need to emphasize that:

- **High academic standards are at the heart of effective education.** But standards must reflect the American tradition of local control: They should be locally adopted and adapted to local needs and capacities. Parents need to make sure that standards are rigorous and that their outcomes are in line with the National Assessment of Educational Progress. To that end, the private sector should be encouraged to draw up an SAT-style test that parents can purchase for a nominal cost and administer to their children in the early grades. This test will measure student skills and will give parents a means to assess their children's abilities that is much more accurate than the normed tests most states offer.

- **Schools must be safe and secure learning environments for students, teachers, and other members of the education community**. The lesson should be clear: Learning is important, self-discipline is important, and standards of behavior will be enforced, just as academic standards will. Again, states and localities--not the federal government--need to address this issue.

- **Federal "remedies" are barriers to needed innovation and reform**. Each state and each local school district can learn from the others. The federal push to establish fashionable outcomes-based education and the reaction it has precipitated are reminders that the federal role should be minimal and non-interventionist.

- **Adopting institutional reforms centered around school choice for parents, autonomy for teachers and principals, and sending power and dollars from government to classrooms can change the system's fundamental incentives**. Today's government- and union-controlled monopoly can be replaced with a diverse and flexible system open to all children but privately operated and controlled by parents. The result will be freedom of choice for parents, teachers, and students; greatly improved school performance and student achievement; and a vastly improved working environment for teachers and principals.

- **Flexibility and cost savings result when a family saves for college, particularly through innovative programs such as prepaid tuition plans**. One of the main reasons college costs have skyrocketed over the past decade is that the federal government maintains a monopoly on the student aid market. As with any monopoly, the real losers are the customers: in this case, students and their families who are forced to incur years of burdensome debt and ever-increasing tuition costs. Effective reform of the student loan program can come about only if students and parents are aware of the great costs and inefficiencies inherent in federal loan programs.

THE FACTS

America's educational system is slowly improving. Diane Ravitch, a senior fellow at the Brookings Institution and former assistant secretary at the U.S. Department of Education, attributes some of these improvements to the National Commission on Excellence in Education's 1983 recommendation that all college-bound students be required to take a core academic curriculum that includes four years of English; three years of mathematics, science, and social studies; and two years of a foreign language. As a result, many states have raised their graduation requirements. From 1982 to 1994, the proportion of high school graduates enrolled in an academic program grew from 42.5 percent to 68.8 percent. The number of students taking college preparatory courses rose, even among blacks and Hispanics. *5*

But all American children could be doing better. Even though students have improved in certain areas compared to previous years, schools have failed to progress at a rate commensurate with America's resources and the need to compete in the global marketplace.

U.S. Performance Still Behind Other Countries'

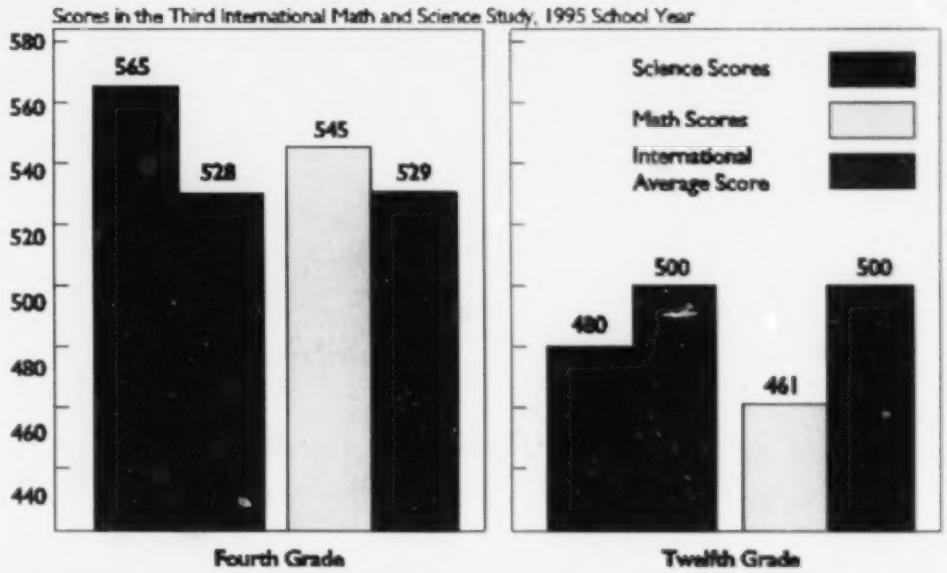
While American education seems to be recovering at the national level, academic performance is not world-class and offers no promise of becoming world-class in the near future, with the exception of a few isolated schools and districts. On the Third International Mathematics and Science Study (TIMSS) *6* :

- As shown in Chart 9.1, American students' performance on the TIMSS test declines after the 4th grade. While 4th graders excel in math and science when compared to students in other nations, 8th graders barely meet the international average. By the 12th grade, American students lag far behind other nations. In mathematics, American 4th graders scored above the international average. But students in seven countries (Singapore, Korea, Japan, Hong Kong, The Netherlands, the Czech Republic, and Austria) outperform U.S. 4th graders, and only 9 percent of U.S. 4th graders are in the world's top 10 percent. Meanwhile, 39 percent of Singaporean students, 26 percent of Korean students, and 23 percent of Japanese students rank in the top 10 percent. *7*

- While U.S. 4th graders score above the international average in the 4th grade mathematics test, U.S. 8th graders score below this average. The United States is the only country that falls from above the international average at 4th grade to below this average at 8th grade. Only 5 percent of American 8th graders placed among the top 10 percent in math, as opposed to 34 percent of South Koreans and 32 percent of Japanese. *8*

Chart 9.1

Students Who Have Been in the U.S. Education System Longer Score Lower on International Tests



Note: The international averages were based on the countries' averages, not their population. Participation in the tests was voluntary, therefore the countries participating in each test were not identical.
Sources: Mullis et al, *Mathematics and Science Achievement in the Final Year of Secondary School* and *Mathematics Achievement in the Primary School Years*, Boston College, 1998 and 1997; Martin et al, *Science Achievement in the Primary School Years*, Boston College, 1997.

- U.S. students score above the international average in science in both 4th and 8th grades. But while Korea is the only other country whose 4th graders outperform the United States, nine nations are ahead of the United States by the 8th grade. Only 13 percent of U.S. 8th graders were in the top 10 percent. *9*

- U.S. 12th graders' performance on both math and science is among the lowest of the participating countries, not including Asian nations which consistently outperform the United States. *10*

- Of the 21 countries with high school seniors participating in the general knowledge tests, the United States placed 16th in science knowledge and 19th in math skills. Of the 16 countries with 12th graders taking part in the advanced math and physics tests, the United States placed ahead of only one other nation (Austria) in the math test and ranked last in physics (see Chart 9.2). Only 14 percent of U.S. students even qualify to take these tests. *11*

Chart 9.2

In International Physics Tests, American 12th Graders Lag Behind Other Countries

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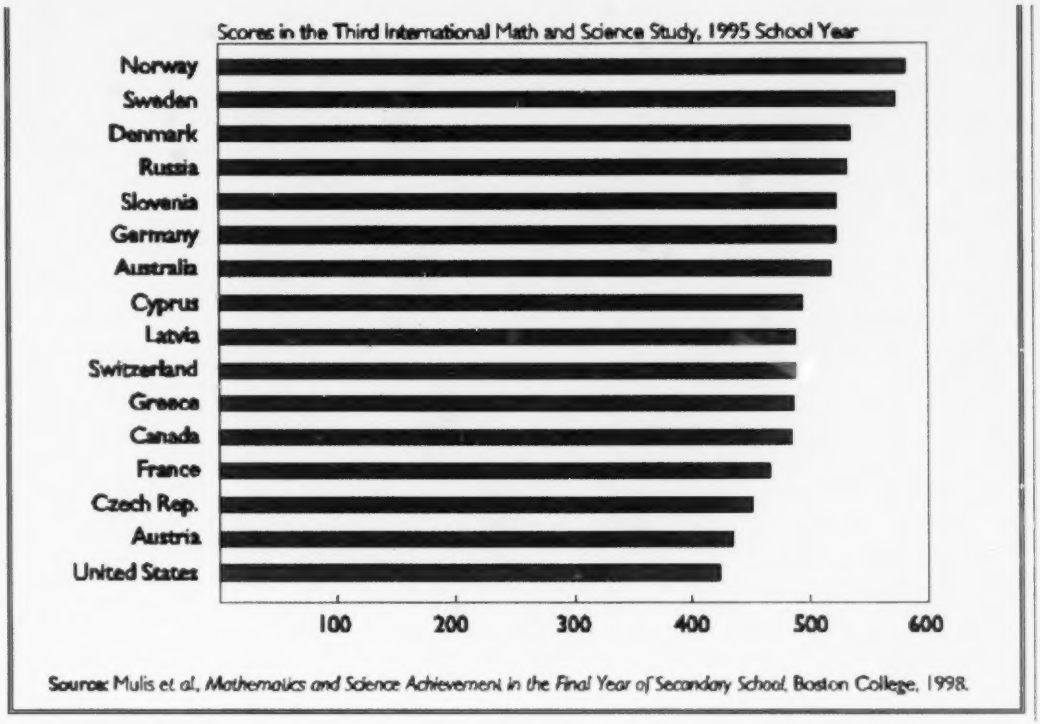

National Student Scores Stagnate

In 1969, Congress created the National Assessment of Educational Progress *12* to survey student achievement nationwide on a regular basis. Recently, these assessments have found that:

- In the main assessments, *13* overall performance in reading between 1971 and 1994 was up only slightly. *14*
- On the 1994 NAEP reading test, only 30 percent of 4th graders, 30 percent of 8th graders, and 36 percent of 12th graders attained the Proficient level. Only 3 percent to 7 percent were able to reach the Advanced level. *15*
- Student scores on the NAEP mathematics scale were higher in 1996 than in 1990 for all three grades. But while both public and nonpublic schools showed increased scale scores for 4th and 8th graders, students attending nonpublic schools continued to outperform their peers attending public schools. *16*
- On the 1996 NAEP 4th, 8th, and 12th grade science exam, only 3 percent of the nation's students reached the Advanced level at all three grade levels. Twenty-six percent of 4th and 8th grade students and 18 percent of 12th grade students performed within the Proficient level, while 38 percent, 32 percent, and 36 percent performed within the Basic level for grades 4, 8, and 12, respectively. *17*
- Overall, students receiving services under Title I or the free and reduced-price lunch program had lower scale scores than those who did not participate in the program, as did blacks and Hispanics. *18*

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- In the 1994 NAEP U.S. history test, 57 percent of high school seniors registered below Basic and 30 percent were below Basic in geography. *19*

Wide Variations Among States

Washington's remedies fail to address the specific education needs that vary from state to state, and even from city to city. Candidates should vigorously oppose any one-size-fits-all regime while emphasizing that educational outcomes--not inputs, which is what Washington tends to offer--are what matters the most. As Table 9.1 illustrates, there is little if any correlation between higher spending, smaller class sizes, and academic performance. Consider the following:

- The five states with the highest average reading proficiency in 1994 for public school 4th graders included Maine, North Dakota, Wisconsin, New Hampshire, and Massachusetts. *20* New Jersey, New York, the District of Columbia, Alaska, and Connecticut, however, had the five highest per-pupil expenditures.

- Between 1992 and 1994, there were significant declines in average reading proficiency in eight states: California, Delaware, Louisiana, New Hampshire, New Mexico, Pennsylvania, South Carolina, and Virginia. *21*

- Only 15 states (Oregon, Utah, Colorado, Wyoming, Montana, Nebraska, North Dakota, Iowa, Minnesota, Wisconsin, Michigan, Connecticut, Massachusetts, Vermont, and Maine) had percentages of public school students at or above the Proficient level that were significantly higher than the rest of the nation in math. *22* As seen in Table 9.1, average Pupil-Teacher Ratios in these states vary from 13.8 in Vermont, the smallest average class size nationwide, to 23.8 in Utah, the largest.

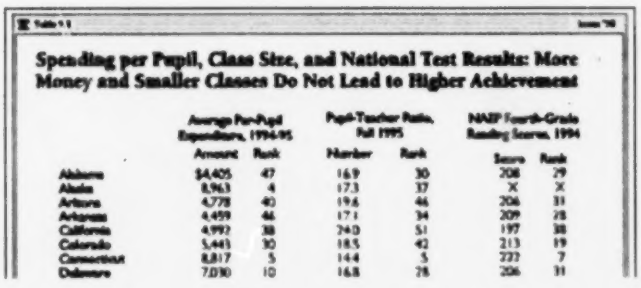
Escalating Disciplinary Problems

Data on disciplinary problems in the schools from the National Center for Education Statistics are troubling: *23*

- After falling drastically throughout the 1980s and early 1990s, drug use by high school seniors has begun to rise again. The percentage of seniors who reported having used cocaine in the previous year increased from 3 percent in 1992 to 5 percent in 1996. The percentage of seniors who reported having used marijuana rose from 22 percent in 1992 to 36 percent in 1996.

- In 1996, 73 percent of high school seniors reported using alcohol during the previous year and 51 percent reported using alcohol in the previous 30 days.

- In 1995, 45 percent of 8th graders reported using alcohol,



Spending per Pupil, Class Size, and National Test Results: More Money and Smaller Classes Do Not Lead to Higher Achievement

	Average Per-Pupil Expenditure, 1994-95		Pupil-Teacher Ratio, Fall 1995		NAEP Fourth-Grade Reading Scores, 1994	
	Amount	Rank	Number	Rank	Score	Rank
Alabama	$4,405	47	16.9	30	208	29
Alaska	8,963	4	17.3	37	X	X
Arizona	4,778	40	19.6	46	206	31
Arkansas	4,459	46	17.1	34	209	25
California	4,992	38	24.0	51	197	38
Colorado	5,443	30	18.5	42	213	19
Connecticut	8,817	5	14.4	5	222	7
Delaware	7,030	10	16.8	28	206	31

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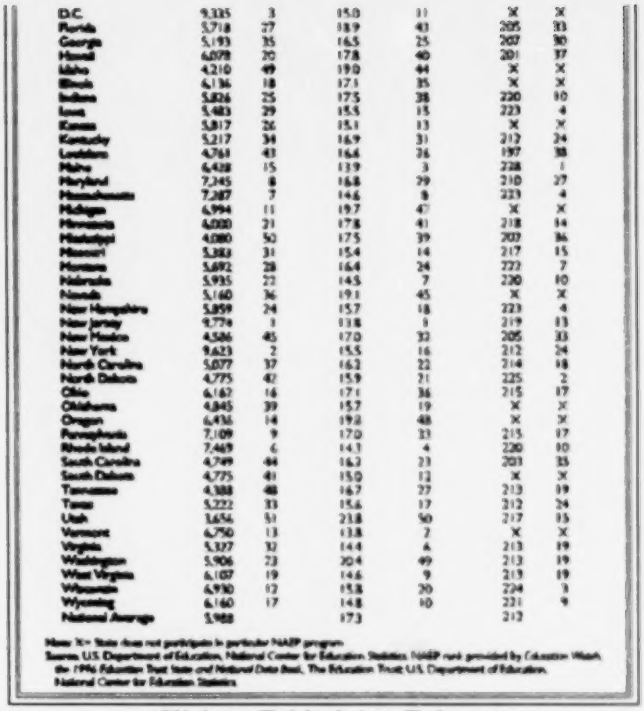
10 percent reported using marijuana, and 3 percent reported using cocaine in the previous year.

- In the 1993-1994 school year, public school teachers from high-poverty schools were more likely to report that student misbehavior and routine duties interfered with their work, and less likely to report that they received a great deal of support from parents, than teachers from low-poverty schools.

- In the 1993-1994 school year, public school teachers were more likely than private school teachers to report that student misbehavior and routine duties interfered with teaching.



(Click on Table 9.1 to Enlarge)

- Overall, in 1993-1994, 69 percent of teachers thought they had a good deal of control over classroom practices, compared to 84.3 percent of private school teachers.

- In the schools with the most students eligible for the free or reduced-price lunch, 46.4 percent of the teachers felt that their principal enforced school rules for student conduct and gave them enough backing.

In addition, the available evidence indicates clearly that violence in American schools has reached epidemic proportions:

- Former Education Secretary William Bennett's *Index of Leading Cultural Indicators* reports that "twenty percent of high school students carry a firearm, knife, razor, club or some other weapon on a regular basis." 24 According to the National League of Cities, school violence during 1994 resulted in student death and injury in 41 percent of American cities with a population of 100,000 or more. 25

- Approximately 900 teachers throughout the nation are threatened with bodily harm, and nearly 40 teachers are physically attacked, each hour of the school day. Some 160,000 students miss school daily because of intimidation or fear of bodily harm. 26

- A 1993 *USA Weekend* survey on school disruption revealed that nearly 40 percent of students nationwide think schools are unsafe. 27 The survey reported that 2,000 students were physically attacked each hour of the school day; one in five carried a weapon to school daily; nearly half of those surveyed said they avoided school restrooms out of fear; and a full 63 percent said they would learn more if they felt safer. 28 Some will never learn: At least 30 violent deaths occurred in the schools during the 1992-1993 academic

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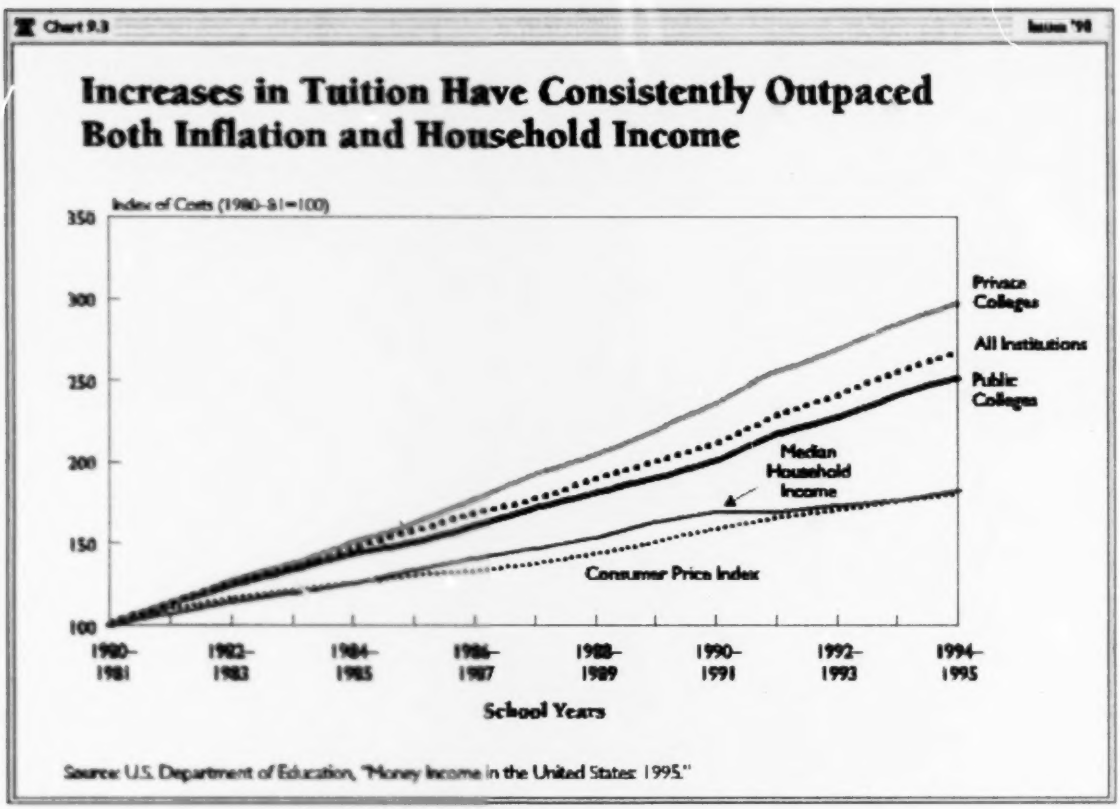
learn. At least 50 violent deaths occurred in the schools during the 1992-1993 academic year. *29*

Inefficient and Wasteful Federal Financial Aid Programs

- The cost of public higher education has increased a staggering 234 percent over the past 15 years. *30* Private tuition costs have increased even more rapidly. Meanwhile, median household income has increased by 82 percent over the same period. (See Chart 9.3.)

- According to the Department of Education, the delivery system for the Federal Family Education Loan Program (FFELP)--the federal government's largest student loan program--is extremely complicated and prone to abuse. *31* In 1995, the Education Department's own inspector general determined that the Department's financial management systems were "deficient or nonexistent." *32*



- The General Accounting Office (GAO), an arm of Congress that investigates government

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waste, fraud, and abuse, identified federal student financial aid as a "high-risk" program in 1990 and again in 1997. *33*

- Defaults on student loans, although at a five-year low in 1995, still accounted for 10.4 percent of all loans taken out by students. The default rates for loans used for tuition at trade schools was 20 percent in 1995. *34*

- The GAO noted last year that the "FFELP's structure was overly complex, and participants had little or no incentive to prevent loan defaults." *35* Indeed, the lack of incentive led to over $2.5 billion in federal outlays in 1995 alone to make good on defaulted student loans.

- In the same report, the GAO concluded that "The structure of the federal student aid programs remains flawed...." *36*

- Seventy-eight percent of eligible schools choose not to participate in the federal government's Ford Direct Lending Program.

- Lawrence Gladieux, Executive Director for Policy Analysis of the College Board, wrote in October 1995 that "Over time, more and more federal student aid dollars have been provided to students who are not prepared to do college-level work." *37*

- The Department of Education's inspector general recently found that "approximately $109 million in Pell grants had been overawarded because students failed to report or underreported their income." *38*

Record Levels of Student Debt

According to The Education Resources Institute (TERI), by the year 2000 American families will have accumulated more than $500 billion in student loan debt. *39*

- American families incurred more debt to pay for college between 1990 and 1995 than during the 1960s, 1970s, and 1980s combined. *40*

- The average annual growth in borrowing for college was 22 percent between 1990 and 1994. By contrast, tuition at public colleges increased an average of 6.6 percent, tuition at private colleges rose 7.3 percent, and disposable personal income increased 4.7 percent. *41*

- According to the GAO, "At the undergraduate level, the percentage of postsecondary students who had borrowed by the time they completed their programs...increased from 41 percent in 1992-93 to 52 percent in 1995-96, and the average amount of debt per student increased from about $7,800 to about $9,700 in constant 1995-96 dollars." *42*

- The portion of graduating seniors with student debt in excess of $20,000 increased from 9 percent in 1992-1993 to 19 percent in 1995-1996. *43*

MORE SPENDING DOES NOT LEAD TO BETTER QUALITY

The Federal Takeover

The attempted federal takeover of American education during the Great Society around 30 years ago has been revealed for what it is: a prolonged and serious mistake. It is now clear that Washington both overpromised and overreached.

Programs intended to improve the education of the poor have emerged instead as self-serving employment programs for educators. *44* A good example is Title I, which provides funding for local education agencies and schools in areas with high rates of poverty. The program serves approximately five million low-achieving students. Despite over $100 billion spent on this program since 1965, there is little evidence of any positive effect. *45* The first longitudinal study of Title I, released in 1984, revealed that the $40 billion in federal aid spent to help millions of poor children over two decades had done little to boost achievement. *46* Though the students gained at a slightly higher rate than their peers at first, no evidence of the effects of Title I remained by the time they reached junior high school. The most recent longitudinal study of the program found that little had changed, even after an additional $78 billion spent from 1984 through 1997. Three decades and over $100 billion later, it is safe to conclude that Title I has not succeeded in helping children overcome poverty's negative impact on school achievement. *47*

Student test scores have remained largely static, and the promise of public education as a way out of the mire of social pathology has not materialized. Instead, inner-city public schools have become trapped in the pathology of the inner city. Almost without exception, the only schools that have escaped, and whose students have done well, are private religious schools.

That there is no causation between spending and performance has been demonstrated by a wide variety of studies. Perhaps the most notable is the exhaustive study of the performance of America's schools conducted by former Brookings Institution Senior Fellows John Chubb and Terry Moe for their landmark 1990 book, Politics, Markets and America's Schools. As Chubb and Moe conclude:

> [R]esearchers have generally been unable to establish a statistically significant relationship between student achievement and any of the school characteristics that are often thought important: teacher-pupil ratios, teacher education, teacher salaries, and per pupil expenditures. This should come as no great surprise. Over the last two decades, as school performance has deteriorated and stagnated, per-pupil spending in schools has increased nearly 100 percent after inflation, class sizes have shrunk more than 20 percent, and most teachers have acquired master's degrees. *48*

Other social scientists agree that financial resources are of less consequence than other variables in determining performance outcomes. Most important is "school climate," the extent to which a school offers a safe and disciplined learning environment with staff and students motivated by a shared commitment to academic excellence. The performance problems of the public schools cannot be corrected solely by digging deeper into the public purse. *49* The most noted social science work in this area has been done by Professor Eric Hanushek, Chairman of the Economics Department at the University of Rochester. After reviewing 187 studies, Hanushek found no statistically significant correlation between education spending and performance. *50*

Where the Money Goes

A 1996 Heritage Foundation study of federal spending on elementary and secondary education

found that about 85 cents of every education tax dollar sent to Washington, D.C., is sent to the school districts. *51* (See Table 9.2.)

- According to the U.S. Department of Education, of the more than $15 billion allocated to its elementary and secondary education programs in 1996, over $3 billion went for purposes--including administrative overhead and university, state, and national programs of unknown effectiveness--other than the needs of local school districts. *52*

- The vast majority of all federal education spending does not reach schools or school districts. In 1995, only 33 percent of the $100 billion the federal government allocated for education was spent by the Department of Education; less than half of all Department of Education funds went to elementary and secondary education; and less than 40 percent of Department of Education funds went to local educational agencies--13.1 percent of total federal education spending. *53*

Contrary to what many Americans believe, the Department of Education funds very few elementary and secondary education programs in their local communities. Department spending amounts to only about 4.5 percent of all the money, including state and local revenues, spent for elementary and secondary education. But it has a significant influence on state and local education agencies and on schools all across the country. *54*

Department of Education programs fundamentally shape how states and local school districts allocate their resources. Yet little is known about what happens to federal dollars once they reach the districts. Few school districts, parents, and taxpayers have accurate data with which to determine how many cents on the dollar reach their classrooms. There are studies, however, that indicate just how little in general gets from school districts to the classroom. *55*

For Every Dollar Sent to Washington for Department of Education Elementary and Secondary Education Programs, Only 85¢ Is Received by Local Education Agencies

- Audits around the country have found as little as 26 percent of school district funds being spent on classroom expenditures. *56*

- In the fall of 1996, New York City Public School System Chancellor Rudy Crew released an analysis that was built on a 1994 Coopers & Lybrand analysis *57* of the city's public school system. The report found that direct classroom expenditures accounted for only

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43 percent of the district's total spending. *58*

(Click on Table 9.2 to Enlarge)

- States and local school districts generally do not track the cost involved in receiving federal education program dollars. But the regulatory and bureaucratic burdens that federal education programs impose on school districts are evident in the number of paperwork hours needed to apply for and accept federal dollars and comply with requirements. *59* It takes approximately 48.6 million paperwork hours--the equivalent of almost 25,000 employees working 40 hours a week for a full year--to complete the total paperwork involved. *60*

- At the state level, Ohio calculated in 1990 that over 50 percent of its paperwork burden was related to federal education programs, even though only 5 percent of its education revenues came from federal sources. Most program evaluations concentrate on efficiency questions, not on whether programs have brought about actual and measurable improvement in student achievement. *61*

Given that education is--and should remain--primarily a state and local responsibility, when Congress allocates federal tax dollars to education programs, it should know at the very least what percentage will be consumed by administration and will not reach the classroom.

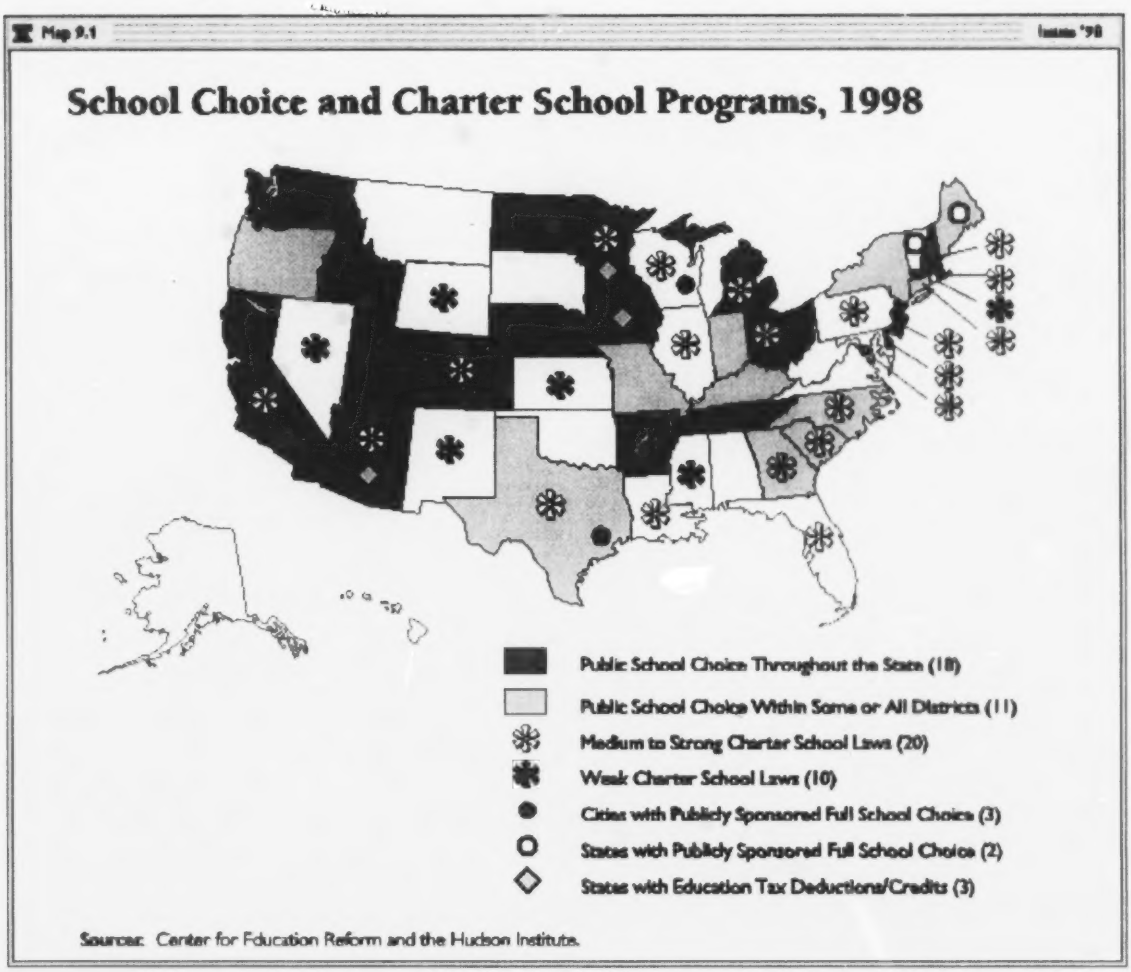
WHAT WORKS IN SCHOOLS

The best solution to the myriad problems facing the nation's educational system is to shift federal, state, and local control of education to parents, teachers, and school principals. This should be done by sending dollars from the federal government to states as block grants with the guarantee that at least 95 percent of this money reaches the classroom. There are several reforms with proven records of success that education leaders across the country could implement at the local level.

The main difficulty in addressing the sorry state of America's schools lies in the fact that those in charge have a vested interest in resisting change. The efforts of those most concerned about falling test scores--parents and many teachers--usually meet with a discouraging combination of bureaucratic lethargy and outright resistance.

For this reason, the first order of business for reformers must be to wrest enough control from the bureaucracy to bring about serious change. Several promising policy solutions have been put forward: contracting public school management to the private sector, passing strong charter school laws, implementing a school choice plan so that parents can send their children to the schools of their choice--whether public, private, or religious--and overhauling public education's suffocating bureaucracy. *62*

Contract Management. Contract management of various aspects of education is a long-established practice. *63* School cafeterias, busing, business services, textbook acquisition, purchase of supplies and materials, janitorial services, and the like have been turned over to private contractors and run efficiently in many districts for many years. Some districts have contracted out for specialized instructional services, such as foreign languages, and many have hired independent contractors for teaching required by federal programs, like educating the disabled. *64*


Map 9.1
Issues '98
School Choice and Charter School Programs, 1998
Public School Choice Throughout the State (18)
Public School Choice Within Some or All Districts (11)
Medium to Strong Charter School Laws (20)
Weak Charter School Laws (10)
Cities with Publicly Sponsored Full School Choice (3)
States with Publicly Sponsored Full School Choice (2)
States with Education Tax Deductions/Credits (3)
Sources: Center for Education Reform and the Hudson Institute.

There is no conceptual barrier to contract management; it is used in almost all other areas of government services, from national park concessions to military training. The idea behind contract management is simple: Pay an independent contractor to perform an assigned task and devise measures that will determine whether that task has been performed successfully. Interestingly, one of the most difficult tasks school districts face in contract management is "specifying" the terms of the contract; since many schools do not have a clear sense of mission, they find it very difficult to specify what they want to accomplish in the language of a contract. The exercise, however, is useful, and education establishment opposition to such a straightforward idea is both anti-intellectual and inflammatory.

According to Paul Hill, director for the Center for Re-Inventing Public Education at the University of Washington and a senior social scientist with the RAND Corporation:

- In the past few years, Minneapolis, Minnesota; Chelsea, Massachusetts; and Hartford, Connecticut, have hired contractors to run the schools.

- Miami, Florida; Baltimore, Maryland; Wichita, Kansas; Sherman, Texas; and Wilkinsburg, Pennsylvania, have hired for-profit firms to operate whole schools, and

dozens of other localities have considered contracting-out proposals.

- Charter schools are also considered a form of contracting out school management. Twenty-nine states and the District of Columbia allow the implementation of charter schools. *65*

Charter Schools. Charter schools are public institutions in terms of mission and funding, but are run autonomously by the signatories of a charter. They can be run by an association of parents, teachers, business leaders, or any combination of these. While the charter school movement is both new and small, varying significantly from state to state, the idea is promising.

According to Louann A. Bierlein, former Director of the Louisiana Education Policy Research Center at Louisiana State University and author of numerous studies on charter schools: *66*

- A charter school is a public institution that is conceptualized, organized, and eventually operated by any public or private person or organization.
- Charter schools operate under a charter contract between the school's organizers (parents, teachers, business leaders, etc.) and a sponsor (school board or university).
- The charter outlines the schools' curriculum, ways to measure outcome, and management plan.
- Depending on the amount of flexibility the law permits, all or part of a public school can convert to a charter school; a completely new school can be formed; or, in some instances, a private school can convert to a charter school.
- Strong laws allow:
    1. The charter school to seek sponsorship from a public entity other than the school board, or to appeal a school board decision;
    2. Any individual or group to submit a charter school proposal;
    3. Automatic exemption from most state laws, regulations, and local policies (except health, safety, civi rights, and fiscal and pupil accountability);
    4. Charter schools to have fiscal and legal autonomy;
    5. An unlimited number of charter schools;
    6. Charter schools to employ non-certified teachers. *67*

Studies by both the Hudson Institute and the U.S. Department of Education last year confirm the popularity of charter schools with reformers, parents, students, and teachers. The Hudson Institute study shows, for example, that charter schools seemed to work best for students who previously had performed "poorly" in school. Of these students, nearly half are now doing "excellent" or "above average" work, according to the report. *68* The U.S. Department of Education study also points out that, contrary to popular belief, charter schools are not havens

for the fortunate or the brightest students. Some 50 percent of charter school students are minorities, and more than 40 percent are eligible for the free and reduced-price lunch program.

A report by the Center for School Change at the University of Minnesota Hubert H. Humphrey Institute of Public Affairs released on March 16, 1998, found that most of the charter schools it surveyed raise the academic achievement of their students. These schools had high populations of low-income students or students with limited English-language ability. Of the 31 schools in the survey, 21 reported gains on standardized tests; the rest did not submit the needed data. *69*

In the six years since the first charter school opened its doors in Minnesota, 28 other states and the District of Columbia have passed charter laws in various forms, and nearly 800 of these schools are up and running, serving more than 170,000 children. *70*

The education establishment--notably the National Education Association and various school board associations at the state and national levels--give lip service to charter schools but offer no real support. The reason: Charter schools are a threat to the status quo. Once in place, they could revolutionize American education. They combine the best aspects of a functioning public school system--public support, public access, and accountability--with much of the flexibility of private schools. They also test the theory that giving parents choice, and principals fiscal and legal autonomy in return for accountability, is crucial to reform. They are an important and useful first step toward freeing principals, teachers, and parents to do their jobs as educators.

School Vouchers or Scholarships. Whether in the form of school vouchers or scholarships, education tax credits and deductions, or education savings accounts, school choice programs offer families the means to send their children to the school of their choice, whether public, private, religious, or home. The practice is widely followed in the developed democracies and is spreading rapidly in the former Iron Curtain countries.

- The United States is the only developed country that denies its children vouchers to attend non-public and denominational schools. In a recent international ranking of support for educational freedom, the United States ranked in the bottom group with such other countries as Algeria, China, Egypt, India, Iran, Iraq, Kenya, Morocco, Mexico, Paraguay, Peru, and Syria. *71* It may well be that the last truly deprived minority in the United States is made up of poor children whose families prefer a religious education but cannot afford to pay for it out of pocket. *72*

- Nevertheless, vouchers and scholarship programs are growing in the United States. There currently are eight publicly sponsored choice programs in place, ranging from means-tested vouchers to sweeping statewide tax breaks, and over 35 privately sponsored school choice programs around the country. Last year alone, 32 state legislatures considered a school choice program of some kind and at least 45 governors stated their support for different degrees of school choice. *73*

- The Milwaukee plan, enacted in 1991, provides 1,650 students with scholarships of up to $4,400 to attend a private non-religious school of choice.

- Ohio's school choice program, the only plan that includes religious schools, awards scholarships of up to $2,500 to allow 4,000 low-income children to attend a school of choice. The program is in its second year of operation despite a court challenge from the

American Federation of Teachers (AFT) and its allies.

- Vermont and Maine have had a choice plan since the 1800s, allowing parents who live in rural areas without a public school to attend a non-religious private school of choice.

- Minnesota and Iowa allow statewide tax deductions on any education-related expense a parent incurs. The Iowa plan allows for a $1,000 deduction. In Minnesota, the legislature recently approved an education funding bill that increased the state's current education tax deduction from $650 to $1,625 per child in kindergarten through 6th grade, and from $1,000 to $2,500 per child in the 7th through 12th grades. For families with annual incomes of $33,500 or less, the new law provides a refundable tax credit of $1,000 per child, up to a maximum of $2,000 per family. The governor's office estimates that 900,000 children will benefit under this plan.

Evidence that Choice Works

1. **Achievement is up in key choice experiments.**

   - Recent studies of the Milwaukee choice experiment, which provides vouchers for public or private non-religious schools of choice, were conducted by Paul Peterson at Harvard University and Jay Greene at the University of Texas at Austin, followed by Cecilia Rouse from Princeton University. The Peterson-Greene study showed that, after just three years, the gap in test scores between whites and minorities narrowed by 33 percent to 50 percent. *74* The Rouse study found that the Milwaukee choice program significantly increased the mathematical achievement of participating students. *75*

   - The first-year results of the Cleveland school choice experiment also are promising. Greene and Peterson were joined by William Howell of Stanford University in evaluating two of the schools opened specifically to meet the demands of the children who received school vouchers. The researchers found improvements in students' reading and math scores after only one year in attendance. The Cleveland study reports that students at Cleveland's Hope City and Hope Central Academy scored 5 percentile points higher in reading and 15 percentile points higher in math concepts on the April 1997 California Achievement Tests (CATs) than in September 1996. This result is particularly significant because test scores of poor minority students living in urban areas normally tend to decline by one or two percentage points each year, although the researchers acknowledge that it is too early to make any definitive conclusions.

Table 9.3 Issues '98

Average Private School Tuition: 1993–94

	Total	Catholic	Other Religious	Nonsectarian
Elementary	2,138	1,628	2,606	4,693
Secondary	4,578	3,643	5,261	9,525
Combined	4,266	4,153	2,831	7,056

Total	$3,116	$2,178	$2,915	$6,631

Note: Tuition is weighted by the number of students enrolled in schools.
Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 1996*.

- The researchers in Cleveland also found that 63 percent of the parents in the choice program are "very satisfied" with the academic quality of their chosen schools, compared with less than 30 percent of public school parents. *76* Nearly 60 percent are "very satisfied" with their school's safety record, compared with just over 25 percent of public school parents. And 55 percent of choice parents are "very satisfied" with discipline at their schools, compared with only 23 percent of public school parents. Even more interesting is the finding that 71 percent of parents who have choices are "very satisfied" with their chosen school's teaching of moral values, but only 25 percent of public school parents report similar satisfaction.

Though the research on specific choice programs is scarce, research on the positive impact of religious schools on low-income children is not. Nowhere is the evidence on the positive effects of choice on the poor more pronounced. Inner-city children in Catholic schools, for example, including children who are not Catholic, generally perform well because of the ingredients that make schools function well: discipline, parental involvement, a caring and hard-working staff, lack of bureaucracy, and high academic standards. Religous schools also cost less. (See Table 9.3.)

Seminal work demonstrating the strong effect of Catholic schooling, particularly on poor black children, was conducted by the late University of Chicago sociologist James Coleman. Coleman showed that Catholic school sophomores scored 10 percent higher in science and 17 percent to 21 percent higher in mathematics, reading, and vocabulary than public school students. His study also showed that a child is more likely to attend school with a child of a different race in a private school than in a public one, and that dropout rates are significantly lower in the private sector. A growing academic body of research continues to confirm Coleman's findings. For example:

- William N. Evans and Robert M. Schwab of the University of Maryland School of Economics reported in the November 1995 Quarterly Journal of Economics that, for inner-city children, attending a Catholic high school raises the probability of finishing high school and entering college by 17 percentage points. *77*

- Derek Neal, an associate professor of economics at the University of Chicago, reported in a November 1995 working paper for the National Bureau of Economic Research that the probability that inner-city students would graduate from high school increased from 62 percent to at least 88 percent when those students were placed in a Catholic secondary school. The latest study by David Figlio, a University of Oregon economist, finds similar results, particularly among low-income minorities who live in large central cities. *78*

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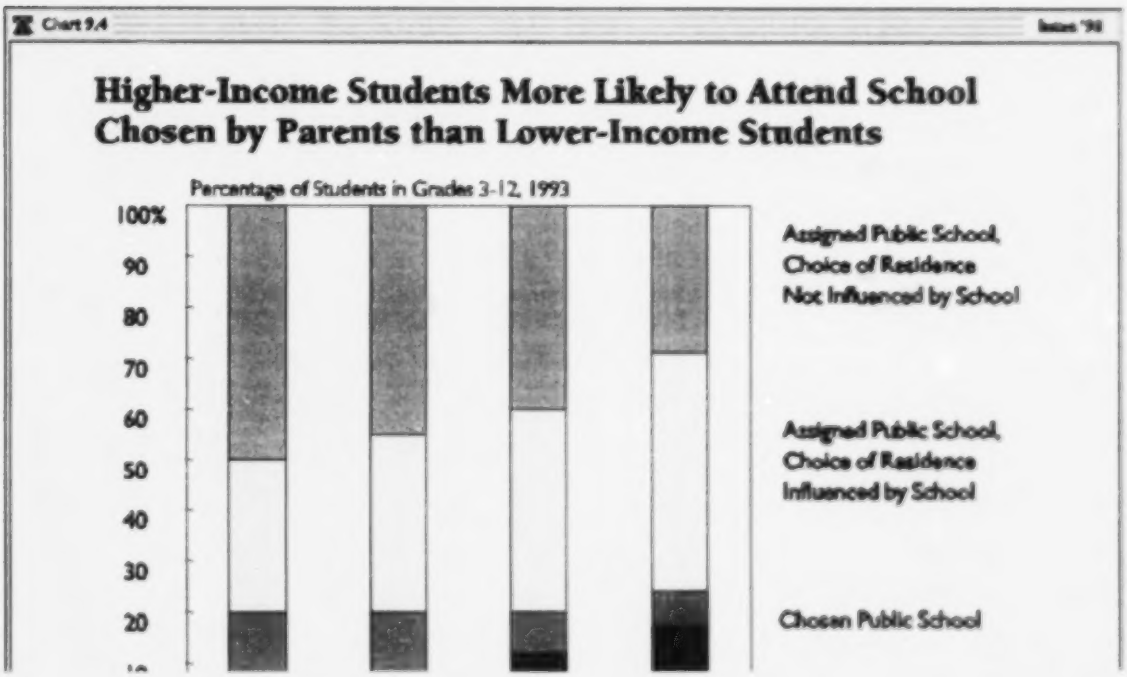
- Caroline M. Hoxby, an economist at Harvard who studied the effectiveness of school choice programs, found that competition from Catholic schools increased academic achievement at both public and Catholic schools. She found that greater private school competitiveness raises the academic quality, wages, and high school graduation rates of public schools. She also found that public schools react to this competition by increasing teachers' salaries. Through choice, Hoxby concluded, both public and private (including religious) school children would increase the amount of time spent in school by about two years while their math and reading test scores would improve by about 10 percent. She also noticed a wage increase of 14 percent. *79*

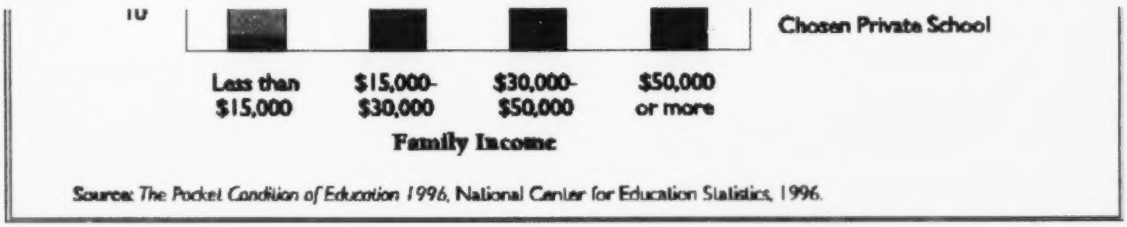
2. **School choice enjoys wide public support.**

Eight years after State Representative Polly Williams, a black Democrat from Milwaukee, spearheaded the nation's first taxpayer-funded school choice program for the city's low-income children, *80* the appeal of choice continues to transcend socioeconomic groups. Parents whose income or location prevents them from having a choice of schools are especially attracted. Frequently, these parents are forced to send their children to the nearest public school, regardless of that school's safety record or academic rigor.

- Support for school choice is growing especially among African Americans. *81* In April 1997, the Joint Center for Political and Economic Studies reported that 70.4 percent of African Americans who earn less than $15,000 a year support school choice. In addition, the survey found that an astonishing 86.5 percent of African Americans aged 25 to 35 support school choice, up from 61 percent in 1996. *82*

- A 1997 poll conducted by the Center for Education Reform finds that support for school choice is 82 percent among the general public. *83*





Source: *The Pocket Condition of Education 1996*, National Center for Education Statistics, 1996.

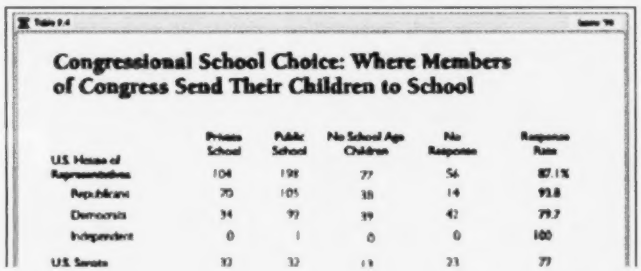
- An annual poll conducted in the summer of 1997 by Phi Delta Kappa, a professional education association, shows that support for choice is about 49 percent in the general population and 62 percent among African Americans. *84*

3. **Members of Congress and teachers choose private schools.**

Nationally, only 14.1 percent of school-age children (8 percent of black American children and 8 percent of Hispanic children) attend private schools. *85* The remaining 85.9 percent attend public schools, either by choice or because their families cannot afford private school education. In fact, rather than being a real option for parents to place their children in the educational environment that is best for them, school choice today is largely a function of income. As Chart 9.4 illustrates, families with annual incomes over $50,000 (which includes all Members of Congress) are more likely than families who make less than $15,000 a year to send their children to private schools. For the children of the poor, the option to choose private school education simply is not there.

For Members of Congress, the private school option evidently is appealing.

- According to a Heritage Foundation survey conducted in June and July of 1997, 34.4 percent of members of the U.S. House Representatives, and 50



Congressional School Choice: Where Members of Congress Send Their Children to School

	Private School	Public School	No School Age Children	No Response	Response Rate
U.S. House of Representatives	104	198	77	56	87.1%
Republicans	70	105	38	14	93.8
Democrats	34	92	39	42	79.2
Independent	0	1	0	0	100
U.S. Senate	10	32	11	21	77

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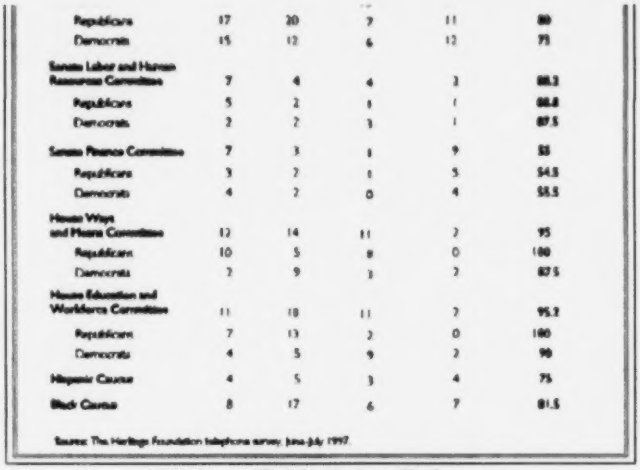
percent of members of the Senate, with children who are school-age or older currently send or have sent at least one of their children to private school. *86* (See Table 9.4.)



Republicans	17	20	7	11	80
Democrats	15	12	6	12	75
Senate Labor and Human Resources Committee	7	4	4	3	88.3
Republicans	5	2	1	1	88.8
Democrats	2	2	3	1	87.5
Senate Finance Committee	7	3	1	9	55
Republicans	3	2	1	5	54.5
Democrats	4	2	0	4	55.5
House Ways and Means Committee	12	14	11	2	95
Republicans	10	5	8	0	100
Democrats	2	9	3	2	87.5
House Education and Workforce Committee	11	18	11	7	95.2
Republicans	7	13	2	0	100
Democrats	4	5	9	2	90
Hispanic Caucus	4	5	3	4	75
Black Caucus	8	17	6	7	81.5

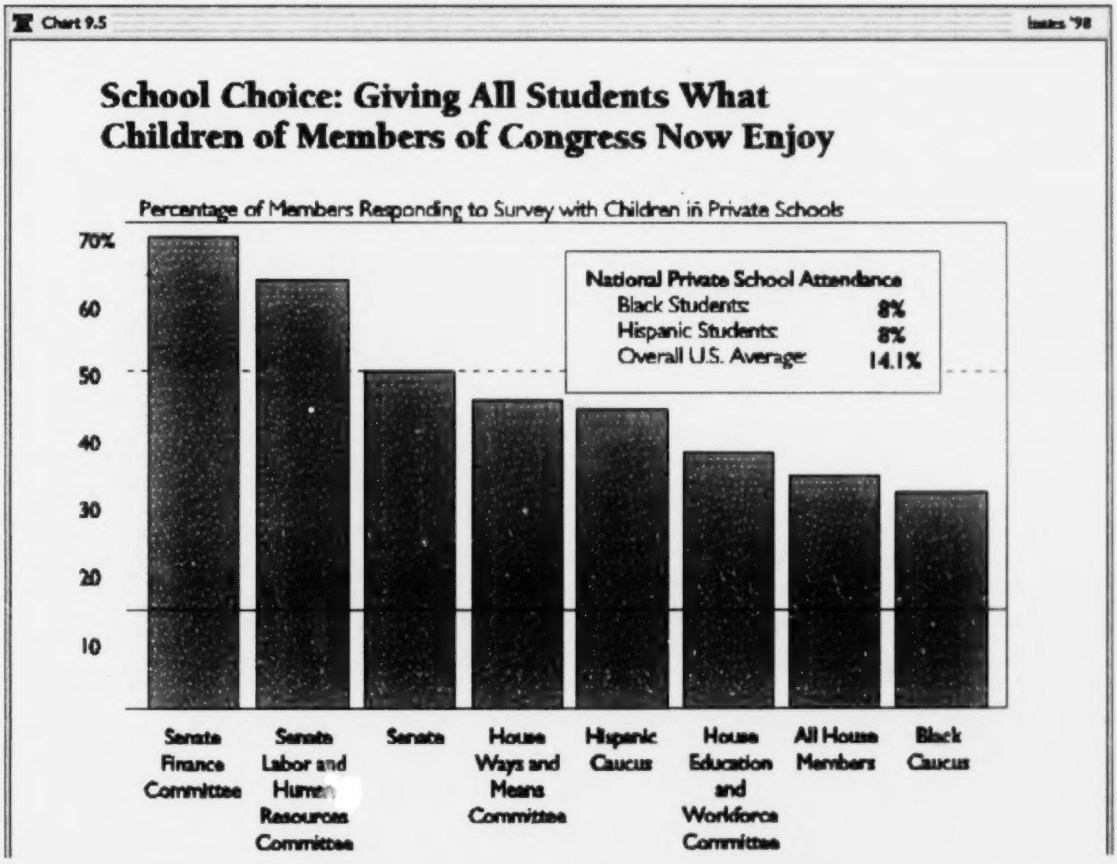
Source: The Heritage Foundation telephone survey, June-July 1997.

(Click on Table 9.4 to Enlarge)

- Members of congressional committees with direct jurisdiction over educational issues are the most likely to send their children to private schools. (See Chart 9.5.)

- In the Senate, 70 percent of the members of the Finance Committee whose offices responded have chosen private school education for their children, as have 63.6 percent of the members of the Labor and Human Resources Committee.

- In the House of Representatives, 46 percent of the members of the Ways and Means Committee who responded, and 37.9 percent of the members of the Education and Workforce Committee, took advantage of the opportunity to choose a private school.



Source: The Heritage Foundation telephone survey, June-July 1997.

- While only 8 percent of black Americans and 8 percent of Hispanic Americans enroll their children in private schools, *87* over 32 percent of the members of the Congressional Black Caucus send their children to private schools. Similarly, 44 percent of the members of the Hispanic Caucus exercise this choice.

The same pattern is found with public school teachers. According to a May 1995 study by former Heritage Foundation Education Fellow Denis Doyle, *88* most public school teachers send their own children to private schools rather than allow them to become lost in a public school system in disarray. The study, drawn from the 5 percent household sample of the 1990 Census, shows that, taken together, public and private school teachers nationwide are only slightly more likely than the general public to choose private schools (17.1 percent to 13.1 percent). In America's most troubled cities, however, the results are quite different:

- Public school teachers in troubled cities are two to three times more likely than the general public to use private schools. In Washington, D.C., for example, 25.7 percent of public school teachers who make less than $35,000 send their children to private school. This is more than double the national average; among public school teachers nationwide, 11.9 percent enroll some or all of their children in private school.

- The trend continues in cities like Boston (24.4 percent), New York (21.4 percent), Miami (35.4 percent), and Los Angeles (18.9 percent). *89* Notes Doyle, "in our nation's cities, where the schools are arguably the worst, a large number of teachers abandon the institutions in which they work and enroll their offspring in private schools." This includes teachers of all races.

- Black public school teachers use private schools more than white public school teachers (12.9 percent to 11.9 percent), and Hispanic public school teachers use private schools more than non-Hispanic public school teachers (16.5 percent to 11.9 percent).

- Overall, says Doyle, black public school teachers are almost as likely as the public at large to use private schools (12.9 percent to 13.1 percent). This means that "black teachers who can afford a choice exercise it: they are 50 percent more likely than black parents in general to enroll their children in private school. This might explain the high support for publicly funded school choice programs among minorities--they are often in the worst school districts and are more inclined to put their children in private schools when they can afford it." Across the United States, "teachers--public and private, white and black, Hispanic and non-Hispanic, low income, middle income, and high income--know how to address the nation's education crisis: they vote with their feet and their pocket books. They choose private schools for their children when they think it serves their interests best."

PUBLIC SCHOOL REFORMS

Other cures for the education system's current ills can be advanced at the local level. Block grants from the federal government, for example, could be used more constructively if states and localities mixed the message for school choice with the following local goals:

Overhaul of the Public Education System: The Chicago School Reform Model

As a result of seven teacher strikes in a year, financial mismanagement, declining test scores, deteriorating infrastructure, and falling enrollment as parents pulled their children from the schools, Mayor Richard Daley took over the Chicago school system in 1995 and appointed Paul C. Vallas to the newly created position of CEO to run the schools. *90*

Vallas moved quickly, signing a new four-year contract with the teachers union during his first three weeks, and over the next three weeks developed a four-year financial plan to eliminate the $1.4 billion deficit in the school system's budget. Part of the savings will come from eliminating unnecessary positions and by privatizing some of the maintenance work. With the financial situation stabilized and labor peace restored, Vallas turned his attention to completing a comprehensive education plan that focused on the fundamentals of delivering a quality education to a disadvantaged student body: expanding the early childhood program by 10,000 students, establishing after school academic remediation programs at 417 schools, lengthening the school day by an hour at 164 schools, and establishing all-day programs at 100 schools. More schools would have been added to these programs, but these were as many as the current budget would permit. Vallas also ended the practice of "social promotion" by sending 150,000 underperforming students to summer school, including 90,000 assigned to academic remediation programs.

Although the plan has been in place for just two years, measurable improvements already have occurred: Enrollment is up, attendance is up, test scores are up across the board in each of the last two years, and ACT scores are at their highest level in a decade.

Chicago's effort to overhaul its schools has encouraged a few other school districts to take similar actions. In Prince George's County, Maryland, the Superintendent took swift action in the spring of 1997 against six of the system's underperforming schools by replacing five of the six principals and "suspending" all of the teachers. The teachers were allowed to reapply for their jobs, but only a third were rehired, and new ones were hired or transferred from other schools to fill the vacancies.

While efforts at school overhaul are encouraging, the success of such plans depends greatly on the skill, judgment, and courage of the individuals selected to lead the schools through the reform process and to maintain high standards thereafter. Moreover, not every attempted major overhaul leads to meaningful reform and success, as appears to be the situation in Washington, D.C., and possibly in neighboring Prince George's County, where the state of Maryland is threatening to take over the schools unless performance improves, and soon. Nonetheless, Paul Vallas's shake-up of the Chicago school system is a fine model to promote at the state and local levels.

High Standards: The Key to Improving Education

In order to prepare students for today's global marketplace, schools must instill high standards and expect all students, regardless of background or socioeconomic status, to meet them before they move onto the next grade. States and the private sector can use the National Assessment of Educational Progress as a benchmark to develop rigorous tests for their students.

Some states already are leading the way in setting rigorous standards, and students are benefiting

from them across the board. According to a July 1997 report by the Washington-based Thomas B. Fordham Foundation, Arizona, Georgia, Illinois, Massachusetts, and Virginia have exemplary state English standards. *91* A March 1998 analysis by the group finds California, North Carolina, and Ohio leading the way in math standards, while states such as Arkansas, Hawaii, Massachusetts, and Washington come in last. *92* In science, the foundation reported that Indiana, California, Hawaii, Arizona, New Jersey, and Rhode Island lead the way. Tennessee, Florida, New Hampshire, and Kentucky were among the worst-performing states in science. *93*

According to an annual report by the American Federation of Teachers, few states have high school graduation exams based on high standards, only a few help low-performing students meet standards, and even fewer are trying to end promotions for students regardless of their performance. The AFT placed California and Virginia at the top of the list in exemplary English standards. *94*

SAVING FOR COLLEGE: EASING THE ANXIETY OF MEETING UNCERTAIN COSTS

The surest way for a family to avoid skyrocketing tuition costs, the headache of federal student aid programs, and mountains of student debt is to start saving for college early. This is not easy, especially given that the federal tax code taxes savings twice. *95* However, many innovative financial plans have been established that make saving for college more feasible for all American families.

- To date, 38 states have established college savings plans. Many of these plans are simple savings programs that allow families to establish a college savings account for their children. The state guarantees a certain annual rate of return, and families do not pay taxes on the interest until the money is withdrawn to pay for school. All of these savings plans allow families to set aside money for college on a monthly basis. This makes it easy for all families to save, little by little, for their children's college education.

- Of the 38 states that have established savings plans, 17 have established prepaid tuition plans. These programs allow families to pay for future college education at today's tuition rates. In essence, families are able to lock in a set amount of college education at today's price. Prepaid tuition plans are extremely popular because they not only offer families an easy way to save for college, but also eliminate the uncertainty of future tuition increases. Families know that they are saving exactly the right amount for their children's college education.

- More than 750,000 families participated in state college savings plans in 1996, investing more than $2.5 billion. The College Savings Plan Network estimates that by 2006, more than 1.8 million families will invest through the various state plans, saving in excess of $6.5 billion. *96*

- A private consortium of more than 35 colleges and universities is establishing a prepaid tuition plan for private schools. Members of the consortium believe they may be able to offer future tuition at a discount of up to 75 percent of today's costs.

- Other private companies are involved in setting up innovative investment plans (including nationwide prepaid tuition programs) that will make it easy for working American

families to save for college. Some of these plans even include additional services to help students find the right school and prepare for college matriculation.

THE RECORD

THE CLINTON ADMINISTRATION

President Clinton promised to help improve the education of America's children. But while his rhetoric has been appealing, he has failed to keep his promise. Instead of "revolutionizing, revitalizing and reforming" America's schools, he has slowed the process of change. While creating new government bureaucracies, increasing federal regulations, and boosting the rate of spending at the federal level, the Administration also has resisted real efforts to reform America's education system. The President has chosen to ignore academic "outputs"--real results--and has focused instead on spending more taxpayer dollars on "inputs." The Administration also has seriously undermined the relationship of students and their families to the education process.

Last year, the President focused again on more "inputs" by calling for a "citizen army of one million volunteer tutors to make sure every child can read independently by the end of the third grade," in addition to upgraded school technology and leveraged funding from the private sector; expanded public school choice and increased funding for charter schools; subsidized borrowing costs for construction projects in school districts with substantial need; certification of 105,000 "master teachers" by 2006; expansion of the 21st Century Community Learning Centers program to help rural and inner-city schools stay open after school hours to serve as safe neighborhood learning centers; and a $1,500 tax credit for two years of higher education and $100,000 tax deduction for higher education expenditures. The highlight of the Clinton agenda was a voluntary national test based on the National Assessment of Educational Progress for 4th grade reading and 8th grade math, (which consumed the majority of his lobbying time). This recently was voted down by the House. *97*

This year, the President has proposed an even larger "inputs"-driven agenda. The following is a snapshot of the key programs he has offered and why they are unlikely to succeed.

- **Smaller Classes.** Class size would be reduced in early primary grades in low-income neighborhoods (to 18 students per teacher, down from 22).

  Research on class size is extremely sketchy. While there may be a slight correlation between class size and academic performance, large class size has not been proven to cause poor performance. As University of Rochester economist Eric Hanushek has pointed out, "[An] enormous amount of research has failed to make a very convincing case that reducing class size is likely to improve student performance," and "there appears to be little systematic gain from smaller classes." Furthermore:

  1. The national pupil/teacher ratio in Catholic elementary schools is 20.9 to 1, yet academic achievement in these schools is greater than in public schools--especially in urban areas.

  2. Class size has declined from 1950-1994, with overall pupil-teacher ratios

2. Class size has declined from 1950-1994, with overall pupil-teacher ratios falling by 35 percent, while spending has increased 3.5 percent per year and academic achievement continues to decline.

3. The only major experiment on class size, Tennessee's STAR study, provides no support for widespread class size reduction.

4. International comparisons show little correlation between small class size and student performance. Korea and Japan have some of the largest class sizes, yet their students continue to outperform American students.

- **100,000 New Teachers.** This program would spend $7 billion initially (and $12 billion over seven years) to recruit new teachers, failing to recognize that the main problem facing troubled inner-city schools is a lack of qualified teachers who want to teach in those schools.

1. The United States does not have a serious aggregate teacher quantity problem today; rather, the problem is one of quality (many teachers do not know their subjects well) and distribution (few of the best teach the neediest children).

2. The way to attract more good teachers to schools serving the neediest children is to transform these schools into autonomous, accountable institutions.

3. Institutions of higher education, with their weak academic standards, and colleges of education, with their focus on pedagogy over mastery of subject matter, have not met the challenge of preparing teachers for the modern classroom.

4. The best way to ensure teacher quality is to hold schools and their teachers accountable for student achievement at the local level.

- **School Construction.** This program provides $5 billion in tax credits to build or repair 5,000 schools in poor and rural areas.

1. Because most of the school districts that need this help also happen to be fraught with mismanagement, this money can do little to change the system that has shortchanged these schools.

2. The cities that would benefit from this proposal are cities like Washington, D.C., that already have a per-pupil expenditure above the national average. According to the General Accounting Office, however, D.C.'s facilities are among "the worst of the worst."

3. Federal funding triggers many burdensome regulations that boost the cost of construction.

4. Many states, like California, already have passed new construction initiatives. A new federal program will interfere, and possibly punish, states and communities that support their schools and reward those that do not.

- **Education Opportunity Zones**. This program calls for a $200 million investment in FY 1999 (and $1.5 billion over five years) to raise achievement and share lessons learned with school districts around the country. School districts will need to demonstrate that they are using their existing funds effectively to raise student achievement by holding schools accountable for helping students reach high academic standards. This means being willing to take such actions as rewarding schools that succeed and intervening in schools that fail to make progress.

  The President's call for an end to social promotion merits the most praise. He pointed to Chicago, where Paul Vallas, the school system's chief executive officer, has ended social promotion and required all children to pass a grade before advancing to the next. However:

  1. The program uses a one-size-fits-all approach to reforming schools. Reforms that have worked in Chicago may not be suitable for other communities with different needs.

  2. More money and federal programs are not the best solutions for social ills.

  3. One of the biggest barriers to minority achievement has been the U.S. Department of Education's Office of Civil Rights (OCR). In 1994, for instance, the Department investigated Ohio's policy of requiring students to pass a 9th grade proficiency test to see whether it violated the civil rights of minority students. Thanks to pressure from Representative Bill Goodling (R-PA), Chairman of the House Education and Workforce Committee, the investigation was halted. If the President is serious about ending social promotion, he should begin in his own backyard by reigning in the powers of the OCR and its current commissioner, Norma Cantu.

Higher Education

AmeriCorps. The centerpiece of President Clinton's higher education agenda during his first term in office was the AmeriCorps program. Ostensibly established as a domestic Peace Corps, AmeriCorps was intended to help students meet the high costs associated with acquiring a college education in exchange for community service. *98* Today, more than 25,000 young people participate, through AmeriCorps, in 430 programs around the country. In exchange for at least 1,700 hours of "volunteer" work, these students receive a $7,460 stipend and an education award of $4,725. As well-intentioned as AmeriCorps may have been, numerous problems, abuses, and questions surround the program. Specifically:

- Although AmeriCorps promised that cost per service hour by volunteers would total $6.43, the General Accounting Office found that the real cost was $15.85 per hour. *99*

- Whereas President Clinton repeatedly had cited AmeriCorps as evidence that the government could work in partnership with the voluntary sector and private enterprise to promote volunteerism, the GAO found that taxpayers were paying 93 percent of the costs. *100*

- The primary stated goal of the AmeriCorps program is to help students afford college. Yet

18 students could be supported by Pell Grants for every one AmeriCorps worker. *101*

Expanded Student Loans. Another major policy during President Clinton's first term was the expansion of direct student loans, known formally as the Ford Direct Loan Program (FDLP). The Administration claimed that if the federal government loaned money directly to students instead of simply guaranteeing private student loans, millions of dollars could be saved in administrative costs and profits earned by private lenders. Expansion of FDLP was a classic example of the government's monopolizing a private financial market. While it is still too early to know the full impact of expanding the FDLP, several points can be made.

- 78 percent of schools choose not to participate in the FDLP. If direct lending is as efficient as the Clinton Administration claims, it is unclear why so vast a majority of schools choose not to take advantage of the savings.

- The federal government bears 100 percent of the risk associated with direct lending. If default rates increase above their historical levels, taxpayers will be stuck with the bill.

- Removing private lenders from the student loan process also removes any private-sector controls and accountability from the process. Private-sector lenders face at least some incentive to keep administrative costs and default rates low. The Department of Education does not. Therefore, it is not unlikely that default rates and overhead costs will skyrocket.

HOPE Scholarships. President Clinton made college costs one of his top priorities during his re-election campaign in 1996. The Taxpayers Relief Act of 1997 included President Clinton's HOPE scholarship. The HOPE (Hope and Opportunity for Postsecondary Education) scholarship actually is a tax credit of up to $1,500 that the families of qualified students can claim during their first two years of post-secondary education. While it is admirable that the President moved away from big government programs and toward family tax relief, the HOPE scholarship has many inherent problems. *102* For example:

- The HOPE scholarship likely will inflate tuition costs for all students. In effect, the President's plan would make students and parents indifferent to additional tuition increases of up to $1,500. Knowing this, colleges and universities face no incentive to keep costs low.

- The HOPE scholarship ignores the anxiety that families face because of uncertain college costs. The problem is not just that college costs a lot, but that the cost is uncertain. A $1,500 tax credit does nothing to address wide fluctuations in tuition inflation.

- The HOPE scholarship adds one more layer of complexity to an already convoluted and unfair federal income tax code. It forces American families to deal with more paperwork, more tax forms, and more wasted time to take advantage of the credit.

- The HOPE scholarship is another middle-class entitlement. President Clinton openly admits that his $1,500 credit is meant to make at least two years of college universally available to American students. It is ironic that while Washington and the rest of the country are trying to grapple with the long-term financial crisis in America's other middle-class entitlements, such as Medicare and Social Security, President Clinton has created

another one.

Higher Education Act. The Clinton Administration's education agenda also includes reauthorization of the Higher Education Act of 1965 (HEA). The HEA covers all of the federal government's student aid programs, including guaranteed and direct lending programs. The Administration, based on preliminary documents from the Department of Education and testimony by Secretary of Education Richard Riley, is not seeking major changes in the current student aid programs. Instead, the Department of Education has proposed simple streamlining measures for current programs. While efficiency in government is commendable, such proposals do not solve the underlying problems of government-subsidized debt. Until fundamental reform of federal aid is enacted, tuition costs will continue to escalate, and families and students will continue to suffer from the burden of tremendous debt.

CONGRESS

Education has been a hot topic in the 105th Congress. The Republican education package focused on school choice, with a near-win attempt at pushing a major block grant proposal to send dollars from the federal government to local education agencies. The Democrat package focused on school construction bonds, reading programs, and school technology. Major legislative efforts included:

1. **School Choice and Charter Schools.**

   The 105th Congress saw a flurry of activity on the school choice front.

   - The first plan proposed a small means-tested pilot school choice project for students in the District of Columbia. Introduced by Representatives Richard Armey (R-TX) and Floyd Flake (D-NY) and Senators Dan Coats (R-IN) and Joseph Lieberman (D-CT), the **D.C. Student Opportunity Scholarship Act** would offer vouchers of $3,200 to 2,000 of the nearly 60,000 eligible D.C. students to enable them to attend their schools of choice, whether in the District or in a surrounding suburb. This plan awaits a vote in the House of Representatives. *103*

   - The second plan, known as **A+ Accounts** , encouraged the creation of education savings accounts for students throughout the United States. Championed by Senators Paul Coverdell (R-GA) and Robert Toricelli (D-NJ), the proposal would allow families, single parents, or anyone earning less than $95,000 a year to deposit up to $2,500 per child each year (in after-tax income) into an interest-bearing savings account. This money could be withdrawn from these accounts tax-free and used to pay for education-related expenses, including home computers, tutoring, transportation, books, uniforms, and private school tuition. Although this plan was passed in the House, it failed narrowly in the Senate. The Senate was scheduled to vote on the measure again in late March 1998.

   - The Senate Omnibus Package, introduced by Senator Paul Coverdell (R-GA) in 1997, also contained many choice-related measures. One allowed states to use Title VI funding for grants for public and private school choice; another

called for the creation of school choice demonstration programs for low-income families. These measures were not approved, but they reappeared in a new package introduced by Senator Coverdell in 1998. *104*

- Finally, a plan to create **HELP Scholarships** for inner-city students was introduced by Representatives James Talent (R-MO), J. C. Watts (R-OK), Floyd Flake (D-NY), and Frank Riggs (R-CA). This bill would permit states to use existing Innovation in Education block grants ($310 million for FY 1997 under Title VI of the Elementary and Secondary Education Act) for the implementation or enhancement of existing school choice programs. This plan was defeated in the House but likely will come up for a vote again in 1998. *105*

On the charter school front, the House passed legislation introduced by Frank Riggs (R-CA) and Tim Roemer (D-IN) channeling federal charter school funds to states that give schools the most freedom to innovate. This would encourage states to loosen their regulations by lifting the cap, if any, on the number of charter schools that can be opened, giving charter schools more fiscal and legal autonomy, and setting up a mechanism to evaluate the success of charters. The Senate probably will consider this bill in 1998. Senators Dan Coats (R-IN) and Joseph Lieberman (D-CT) are spearheading efforts in that chamber.

2. **Children's Literacy.**

The FY 1998 budget resolution called for $260 million in funding for literacy programs consistent with the "goals and concepts" of the President's America Reads program. Touted now by the President, the Reading Excellence Act, introduced by Representative William Goodling, would:

- Authorize competitive grants to train teachers in research-based practices that produce measurable, positive results; develop family literacy programs; and train and hire tutors that families choose.

- Improve the reading and literacy skills of children and families by "improving in-service instructional practices for teachers who teach reading" and other family literacy programs "to ensure that children can read well and independently not later than the third grade."

- Provide funds, through competitive grants, for states to form literacy partnerships with the governor, chief state school officer, chairmen of state legislative education committees, local education agencies, and parents and teachers.

This bill awaits action in the Senate.

3. **National Tests.**

The President's plan for a voluntary national test in 4th grade reading and 8th grade math based on the National Assessment of Educational Progress test faced fierce

opposition in the House. Ultimately, a compromise was reached that allows the tests to be developed under the auspices of the National Assessment Governing Board (NAGB) instead of the Department of Education. The compromise also places Congress in charge of approving the tests before they are administered. The House recently rejected administration of the test while the NAGB is slowly designing them. A vote is now expected in the Senate.

4. **Block Grants to Local Districts.**

Senator Slade Gorton (R-WA) attached an amendment to the Departments of Labor, Health and Human Services, and Related Agencies appropriation bill that would roll back most federal K-12 funding into an $11 billion block grant program to local school districts. The amendment directed the Department of Education to send Title I, Goals 2000, bilingual education, and vocational and adult education funds directly to school districts with no strings attached. A similar effort died in the House, and House-Senate conferees stripped the measure from the final budget. Gorton's amendment and a similar effort by Senator Tim Hutchinson (R-AR), which would send the dollars to governors instead of school districts, will be debated in 1998.

5. **Higher Education.**

Despite some rumbling, Congress generally has acquiesced to all of President Clinton's initiatives. Congress authorized the AmeriCorps program in 1993, expanded direct student loans in 1994, and passed the HOPE scholarship (and added a similar lifetime learning tax credit available to advanced undergraduate and graduate students) in 1997. Moreover, there seems to be little chance that Congress will address the fundamental problems in federal student aid through re-authorization of the Higher Education Act (HEA). Most likely, it will simply go along with the Administration's proposal to tinker around the edges and make the federal loan programs somewhat more cost-effective.

- Congress was able to pass several meaningful higher education policies in 1997, however. Specifically, the **Taxpayers Relief Act of 1997** established a new savings vehicle for American families, known as education IRAs. Eligible families may deposit up to $500 per year into these special accounts in after-tax dollars. Then, when the child is ready to go to college, the savings and interest can be withdrawn tax-free to cover any higher education-related expenses. In addition, Congress established Roth IRAs. These are similar savings accounts that effectively allow retired Americans to establish a special savings account for their grandchildren and then withdraw the proceeds tax-free for college and other large expenses. *106*

During 1997, Congress also authorized the Commission on the Cost of Higher Education. The Commission, charged with determining factors leading to the increase in tuition compared with other commodities and services, issued its final report in February 1998. By and large, its findings and recommendations reflect the fact that seven of the 11 commissioners were drawn from colleges and universities. The results tend to be rather superficial and are aimed primarily at easing the regulatory and administrative burden currently placed on institutions of higher

education. Thus, most of the recommendations fail to address the fundamental problems of rapidly increasing college costs and student debt. *107*

Two other bills introduced during the 105th Congress also deserve mention.

- Representative Kay Granger (R-TX) and nine cosponsors introduced H.R. 2847, the Higher Education Affordability and Availability Act. The Granger bill would extend the favorable tax treatment now enjoyed by state plans to prepaid plans established by private colleges and universities. Moreover, it would make interest earnings on all of these accounts (including regular education IRAs) free of federal income taxes, subject to a $5,000 annual contribution limit. Although this is not ideal, it is a tremendous improvement over the current $500 limit on regular education IRAs.

- Senators William Roth (R-DE) and Paul Coverdell (R-GA) introduced S. 1116, the Affordable Education Act, which, among other things, would raise the contribution limit for education IRAs to $2,000 per year. Like the Granger bill, the Roth-Coverdell bill would place private prepaid plans on a par with state plans and extend tax-free status to interest earnings in all cases. Again, although the $2,000 contribution limit is not high enough to allow families to save the full amount to pay for college, it is a good step toward the goals outlined above.

WHAT TO DO IN 1999

The evidence demonstrates that reform based on increased and equalized spending, higher teacher salaries, smaller classes, and similar marginal changes does not work because these factors are not related to school performance or student achievement. Only fundamental reform centered around school choice and deregulation can reverse the deteriorating performance of our schools and the declining academic achievement of our children. There are several specific policies that governors and Members of Congress can promote:

1. **Foster school autonomy and parental choice at the state and local levels.**

   The best way to promote autonomy is to highlight the positive work done in different schools across the country and draw media attention to success stories. This will encourage schools to adopt the same models, and state and local governments to reform their laws.

   For true reform to take hold in the public schools, school autonomy must go hand in hand with parental choice. School autonomy means that the principal, administrative staff, and teachers in each local public school, perhaps with parents as representatives, would be free to run their school as they choose: to select their own curriculum, textbooks, staff, and teachers (which means that teacher certification requirements must be relaxed or alternatives developed). This scenario is best realized if state and local dollars follow each child from school to school instead of being poured into a school district as a lump sum.

   In addition, regulation of public and private schools must be reduced to the absolute

In addition, regulation of public and private schools must be reduced to the absolute minimum. This would enable parental choice to create an effective market that controls and regulates schools in accordance with the preferences of parents rather than according to the whims of a bureaucratic elite. States should consider three particular strategies:

- **Revamp financing systems so that dollars follow children to a school of choice**. Today, much of the money is targeted at districts, regardless of how effectively they teach children. Changing the financing system so that dollars follow students from school to school instead of going directly to school districts based on an arbitrary funding formula would assure that more money flows to schools that attract the most students. Two of the leading champions of this commonsense approach are Arizona Superintendent of Education Lisa Graham Keegan and Ohio State Treasurer J. Kenneth Blackwell. The Arizona model, which will be on the state's November 1998 ballot, would shift capital funding from local districts to the state and replace most property taxes with a three-quarter-cent sales tax.

- **Empower school principals, through charter schools, or contract out school management.** Giving principals all the fiscal and legal autonomy they need to hire and fire teachers, select curricula, and contract out school services while holding them accountable for results will go farther than class size reduction, national tests, or any other program fostered at the federal level. This is realized in states with strong charter school laws.

- **Encourage public school reform**. Using the Chicago school reform model, reformers should take the offensive in exposing the dismal performance of urban public schools. Some 57 percent of 4th graders in central-city school districts cannot read. This is not because of a lack of money or a lack of federal programs designed to help these districts. It is because big-city school systems make excuses for their failure instead of insisting on success. There is no excuse. Every state has examples of stellar public, religious, and secular private schools that do an excellent job teaching low-income minority children from the same neighborhoods as failing public schools. There is no need for federal legislation. There are abundant opportunities for big-city schools to learn from the achievements of Thaddeus Lott of Wesley Elementary in Houston, Marva Collins of Westside Prep in Chicago, Brother Bob Smith of Messmer High School in Milwaukee, and countless other successful inner-city principals.

2. **Reform the District of Columbia public schools.**

The nation's capital is home to some of the worst-performing schools in the United States. From decrepit public school buildings and widespread violence and drugs on school grounds to poor academic performance and a huge but ineffective bureaucracy, many of the District of Columbia's schools exemplify what can happen when poor management and lack of competition join hands. The result: a bleak future for the city's youth. From strengthening the city's existing charter school law to implementing the school choice proposal offered by Representative Richard Armey and using the Chicago school reform model to overhaul the city's

Rhee and using the Chicago school reform model to overhaul the city's catastrophic bureaucracy, Congress should make reforming the District's schools its number one education priority.

3. **Block grant failed federal programs to the states, send more money to the classroom, and hold the federal government responsible for results.**

   The federal role in education has failed to produce the desired results. That is why block granting federal programs to the states and holding governors responsible for sending at least 95 percent of the funding to the classroom is the best approach. Congress should make sure that the federal government spends its scarce education resources only on programs that produce measurable results in the classroom as efficiently and effectively as possible. This means adopting measures to eliminate ineffective programs and inefficient bureaucracy. For its part, the U.S. Department of Education should provide Congress with specific information about where its funds are going and how its programs are improving academic achievement.

4. **Expand family savings opportunities for higher education.**

   It is essential that America's families have a greater ability to save for impending higher education costs. To help accomplish this goal, Congress should:

   - **Eliminate** the $500 annual contribution limit currently set on education IRAs.
   - **Extend** to all private prepaid tuition plans the same tax treatment public plans receive.
   - **Include** within the definition of education IRAs any contributions made to prepaid tuition plans.
   - **Ensure** that families can transfer financial assets--including prepaid tuition contracts--into and out of education IRAs.

5. **Begin to get the federal government out of the student aid business.**

   Reauthorization of the Higher Education Act is not likely to result in fundamental reform of the system. Lawmakers therefore should explore ways to replace the federal government with the private market in the provision of financial aid. The place to start is federal loan programs. More and more, federal loans are going to benefit middle-income and upper-income families. The first goal of student aid reform, however, should be to target those who truly need assistance. In 1999, Congress should take the following steps to privatize higher education financial aid:

   - **Eliminate in-school interest subsidies.** Currently, the federal government pays interest on a loan while the student is in school and for the first six months after graduation. This is a direct subsidy to students that increases demand for government loans and therefore distorts the market for educational debt. This distortion should be eliminated as the first step toward returning financial aid to the private marketplace.

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- **Increase the default risk shouldered by private-sector lenders**. If private lenders were required to bear part of the costs of loan defaults, they would be more cautious in making loans for institutions with high student default rates. Again, such a reform would be a positive step toward returning financial aid to the private marketplace.

- **Increase the default risk shouldered by loan guaranty agencies.** Guaranty agencies have been too quick to turn defaulted loans over to the Department of Education and the taxpayers. If guaranty agencies were required to bear part of the costs of loan defaults, they would be more diligent in their collection efforts before turning responsibility for defaulted loans over to the federal government. Private guaranty markets work in other industries, and there is no reason they could not function in a private student loan market as well.

Q & A

Q. Doesn't education choice mean that the brightest and most affluent students will escape, leaving the poorest and hardest to educate trapped in bad public schools?

A. The exodus of the brightest and richest students happens under the current system because only they have the ability to choose. Comprehensive school choice gives poor inner-city children the same freedom to choose their schools that wealthier children already enjoy. School choice improves all schools and benefits all children, not just those who change schools. The reason: Competition forces all schools to strive to perform better in order to survive. This has been the experience in East Harlem, for instance, where school choice proved especially beneficial to poor minority inner-city students.

Q. Don't we need the public schools to teach all students a common set of basic values, beliefs, and democratic principles? And won't choice, charters, and contracting out school services lead to diverse, fragmented philosophies and views?

A. The public schools are not teaching a common set of values, beliefs, and principles. Many are teaching moral relativism, multiculturalism, and values often at odds with parents' beliefs. Under comprehensive school choice, schools must reflect the values, beliefs, and principles common to parents in order to attract students and funds. The parents of each child, not government bureaucrats and politicians, should have the final say over what that child is taught.

Q. Won't school choice and the deregulation of public schools encourage extremists or fanatics to set up bizarre "cult" schools and possibly even lead to such abuses as the indoctrination of students in Satan worship or racial supremacy?

A. Under a program of school choice, schools would have to meet minimum certification requirements, just as private schools do today. Such requirements effectively preclude extremist or cult schools.

Q. With vouchers, wouldn't private schools receiving government money face heavy regulatory control?

A. No private school is required to participate in any school choice program. Private schools that receive no state funds today would be free to forego state funds under choice programs, leaving them no worse off than they are now. One of the fundamental principles of comprehensive school choice is autonomy, with each school free to operate as it chooses. Choice means reducing the regulation of public schools to the minimum level now applied to private schools, not increasing the regulation of private schools.

Q. Do school choice programs that include religious schools violate the First Amendment?

A. No. Unlike direct subsidies to religious schools, educational benefits that include religious schools among a range of options do not violate the First Amendment. So long as the decision of which school to choose is left up to parents or students without creating any financial incentives to attend a private school, or without creating an ongoing state presence in religiously affiliated schools, school choice programs do not violate the First Amendment. The Supreme Court has upheld this premise in several decisions, *108* the most recent being its decision last spring in the case of Agostini v. Felton.

Q. Will devolving power and resources from the federal government to states not lead to more inequality and less accountability?

A. To the contrary. Governors, mayors, and parents are closer to the students and schools the federal government purports to help. So far, federal involvement has led only to more bureaucracy, paperwork, and red tape.

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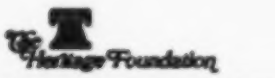

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